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AICPA *Washington Report*

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CIVIL AERONAUTICS BOARD

The second in a new series of "Monthly Reports" is now available. An informal news brief, the Monthly Report features significant activities of the Board over the past month presented in a simple, straightforward style aimed at keeping the general public abreast of new developments. These Reports have replaced the Weekly News Summary previously distributed by the Board. Anyone wishing to receive these news briefs may add their name to the mailing list by contacting Mary Hanlon at 202/673-5432.

Notice that the time limit for comments on the model corporate disclosure report has been extended until 10/24/77 (see 10/19/77 Fed. Reg., p.55823). For further information contact Stephen Babcock at 202/673-5442.

A notice extending the filing date for comments on the revision to the accounting and reporting requirements for airline lobbying costs to 11/14/77 appeared in the 10/14/77 Fed. Reg., pp. 55226-27. The proposed rule would require carriers to report lobbying expenses in separate non-operating accounts, thereby excluding these expenses from the costs allowable for ratemaking purposes. For additional information contact Richard Juhnke at 202/673-5436.

In addition, the Board has announced an extension until 11/14/77 of the filing deadline for comments on proposed rules concerning accounting and reporting requirements for airline advertising costs (see 10/14/77 Fed. Reg., pp.55226-27).

COMMERCE, DEPARTMENT OF

An Executive Order transferring certain statistical policy functions from the OMB to the Commerce Department was signed by the President last week as part of his executive branch reorganization plan. The functions being transferred include: authority to develop programs and issue regulations for the collection of statistics by the various agencies; authority to determine what information to provide to international organizations; and functions relating to the study of international investment statistics and access to information collected under the Investment Survey Act of 1976. In addition, the Order establishes the Statistical Policy Coordination Committee to advise the President on development and coordination of statistical services. OMB will retain a general oversight role on statistical collection and sufficient authority to resolve any differences Commerce cannot handle.

137 grants totaling \$69,164,406 have been approved under the provisions of the Public Works Employment Act of 1977 to help build facilities and create jobs in high unemployment areas. The law, which includes a 10% set-aside requirement for minority businesses, provides for at least \$30,000,000 worth of projects for each State. The projects are subject to approval by Commerce's Economic Development Administration. Further information on the program and details concerning approved projects may be obtained by contacting the EDA at 202/377-5113.

COMMODITY FUTURES TRADING COMMISSION

Proposed rules concerning the regulation of commodity option transactions appeared in the 10/17/77 Fed. Reg., pp.55538-65. The proposed regulations contain specific requirements regarding record-keeping and the need for financial audits by independent auditors. Comments on the proposal are due by 12/1/77.

ENERGY, DEPARTMENT OF

A 10/1/77 Fact Sheet issued by the Public Affairs Office contains useful information on the structure and assignments of the various office functions which have been combined in this new Cabinet Department. Jim Bishop is in charge of public affairs and copies of the "Fact Sheet" are available by calling his office (202/245-8388).

Note the new address for the FERC: Federal Energy Regulatory Commission, 825 North Capitol Street N.E., Washington, D.C. 20426.

Also, note that the clearance responsibility for forms and questionnaires of the FEA and the FPC is being shifted from the General Accounting Office to the Office of Management and Budget. GAO normally clears all independent regulatory agency forms, but since the FEA and FPC are no longer identified as independent regulatory agencies, forms clearance reverts to the executive branch, specifically OMB, which reviews all executive branch forms.

The conferees on the massive energy legislation have already begun the process of reviewing the varying provisions contained in the House and Senate-approved bills. There is a belief that a final version of the legislation can be hammered out by the middle of November.

FEDERAL RESERVE BOARD

Legislation providing for the General Accounting Office to audit the Federal Reserve Board, the federal reserve banks, and their branches and check-clearing, wire transfer and security facilities as well as the FDIC, and the Office of the Comptroller of the Currency was approved last week. This legislation has been under consideration for several years and it was only in the last year that strong objections by the agencies were dropped so that the matter could proceed.

FEDERAL TRADE COMMISSION

After-tax profits of retail corporations averaged 2.7 cents per sales dollar in the second quarter of 1977 compared with 1.9 cents in the first quarter. The margin was slightly higher than the previous year (2.7 cents). Sales of retail corporations were up 11 per cent over the first quarter. The complete report for retail corporations is scheduled for publication on 12/15/77, in the FTC's Quarterly Financial Report for Manufacturing, Mining, and Trade Corporations for the third quarter 1977.

The Commission took up the long awaited trade regulation rule on franchising last week. The Commission made a variety of alterations to the franchise rule before tentatively adopting it during the open meeting. All commissioners except Collier agreed to the tentative adoption pending staff redrafting and preparation of extensive description guidelines, a process expected to take about 120 days. Essentially, the rule requires substantial disclosure by franchisors. The Commission agreed to a variety of changes in the proposed rule, and rejected several amendments. The major alteration adopted by a 3-2 vote with the Chairman and Commissioner Dixon dissenting, eliminated the requirements for an independent audit of the financial information, provided by the franchisor. Instead, the Commission approved a general requirement that disclosure by franchisors "be truthful".

GENERAL ACCOUNTING OFFICE

"An Organized Approach to Improving Federal Procurement and Acquisition Practices" is the title of a recent report by the Comptroller General on the procurement practices of the various government agencies. The report is an ~~examination~~ of the scope of contracting out by the government for goods and services; the complexity of the current laws and regulations affecting this practice; studies of the problem performed by numerous groups; and new directions in policy and legislation. Also included are recommendations by the GAO for an improved approach to procurement, including the establishment of a government-wide research program to result in new definition of the procurement function and the roles of participants. Copies of the report are available from the GAO Reports Department (S/N PSAD-77-128, 9/30/77) for \$1.00 each.

HEALTH, EDUCATION AND WELFARE, DEPARTMENT OF

The House and Senate have approved the Conference Report on HR3 containing the Medicare-Medicaid Anti-Fraud and Abuse Amendments. Of interest to CPAs was the adoption of a provision to establish uniform reporting systems for different types of health service facilities and organizations. Part A of Title IX of the Social Security Act would be amended by inserting a new Section 1121 containing the specific requirements for the implementation by HEW for such reporting systems. The legislation now awaits presidential action.

LABOR, DEPARTMENT OF

Titles I, II, and IV of the CETA regulations have been corrected and reissued in the 10/18/77 Fed. Reg., pp. 55726-82. These program regulations contain recordkeeping, evaluation, and auditing provisions affecting independent CPAs engaged to audit such programs.

An ERISA reporting and disclosure guide for use by employee benefit plan management personnel in their reporting activities is now available. The guide has been designed in a concise, easy-to-read format for presenting regulatory material in graphic order for both large and small plans. The publication shows the reports required, the dates on which they are due, the offices to which they must be sent, and presents brief information reminders for each report shown.

Anyone wishing to receive one free copy of this reporting guide may do so by contacting our Washington office prior to 11/2/77 and requesting Document 35-1. Telephone requests should be directed to extension 47.

Witnesses testified last week before the Senate Labor Subcommittee on the current administration of ERISA. Alvin D. Lurie, IRS Assistant Commissioner of Employee Plans and Exempt Organizations, stated that the solution to many of the problems stemming from ERISA lies in a carefully devised separation of authority among the agencies which must capitalize on each one's unique expertise and capabilities. He noted progress is being made to remove overlapping jurisdiction, particularly in the area of field examinations. There were several witnesses who criticized the delay in issuing regulations for administering the pension law and the hearing closed with a statement by Chairman Williams to press towards completion of these matters expeditiously.

RENEGOTIATION BOARD

Several people have inquired about the filing requirements since the 1951 Act has expired and an extension bill does not appear likely before Congress adjourns for this session. Under the circumstances, the Board has granted the blanket extension until 1/15/78 to all contractors and subcontractors required to file Form RB-1 with it. For more information see the 9/6/77 Fed. Reg., p.44618.

SECURITIES AND EXCHANGE COMMISSION

Congressman Moss will delay holding hearings to ask the accounting profession about its recent organizational and procedural changes until January 1978. In a recent speech in Wisconsin, Mr. Moss expressed concern with certain elements in the plan approved by the AICPA Council last month, although, he did make note of several positive steps which the AICPA adopted such as proportioning membership fees to the size of member firms, subjecting firms to peer review and looking outside the profession for individuals to serve on the Public Oversight Board. "I will expect a visible trail of progress to be evident at (the hearing in January)..."Mr. Moss said.

A notice of withdrawal of proposed rules concerning a permanent exemption for lessor, switching and terminal company railroads from the financial reporting requirements of certain Commission forms appears in the 11/14/77 Fed. Reg. p. 55227. For more information contact Mr. Belvin 202/755-1750.

TREASURY, DEPARTMENT OF

Regulations have been issued affecting DISC operations in the 10/17/77 Fed. Reg., pp. 55452-70, particularly with respect to definitions of "qualified export receipts" and other terms. T.D. 7514 details the rules for determining what portion of export receipts are qualified under the DISC tax deferral program, along with other terms of purposes of DISC.

Regulations have been issued which revoke certain provisions for determining the tax classification of professional service organizations (see 10/18/77 Fed. Reg., pp. 55611-12). This action results from a number of court decisions declaring invalid portions of these IRS regulations.

A public meeting of the National Advisory Committee on Banking Policies will be held 10/27/77 in Washington. New examination procedures is one of the topics to be discussed. For more information call John Baer, Jr. at 202/447-1972.

Philip J. Wiesnel has been named Assistant Tax Legislative Counsel. He has been an attorney-advisor since 1975, and was in private practice before joining the Department.

"Quickie tax cuts" should be avoided as a way of stimulating the economy even if growth slows later next year. This is the consensus of Ways and Means Chairman Al Ullman (D-OR) and Senate Finance Chairman Russell Long (D-IA). Mr. Ullman commented that he favours a tax reform proposal with 3 basic components: simplification, rate-restructuring, and capital formation. "If we get into a whole myriad of so-called loophole-closing devices that are very controversial," he said, "then the whole thing will get bogged down and we may not even get a tax bill next year."

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